

810-3-25-.06 Trusts Exempt from Taxation, for Taxable Years Beginning Prior to January 1, 2005.

(1) Except as provided in paragraphs (2), (3) and (4) below, the following trusts are exempt from taxation under § 40-18-25, Code of Alabama 1975:

(a) Any qualified trust defined in 26 U.S.C. § 401(a) relating to qualified pension, profit sharing, or stock bonus plans.

(b) A custodial account, an annuity contract, or a contract issued by an insurance company that qualifies under 26 U.S.C. § 401(f).

(c) An individual retirement account, an individual retirement annuity, or any custodial account that qualifies under 26 U.S.C. § 408(e), 26 U.S.C. § 408A, or 26 U.S.C. § 530.

(d) A retirement bond that qualifies under 26 U.S.C. § 409.

(e) Corporations, as described in 26 U.S.C. § 501(c)(2), organized for the exclusive purpose of holding title to property, collecting income therefrom, and remitting the proceeds, less expenses, to an organization which is exempt under § 40-18-25.

(f) Voluntary employees' beneficiary associations as described in 26 U.S.C. § 501(c)(9).

(g) Local teachers' retirement fund associations as described in 26 U.S.C. § 501(c)(11).

(h) A trust or trusts forming part of a plan providing for the payment of supplemental unemployment compensation benefits as described in 26 U.S.C. § 501(c)(17).

(i) An organization or trust created exclusively to form part of a qualified group legal services plan or plans, as described in 26 U.S.C. § 501(c)(20).

(j) A trust created exclusively to pay liability insurance premiums for, pay administrative and other expenses of, and pay claims for liability for disability or death due to pneumoconiosis (black lung), as described in 26 U.S.C. § 501(c)(21).

(k) A charitable remainder annuity trust or a charitable remainder unitrust, as those terms are defined in 26 U.S.C. § 664, relating to charitable remainder trusts, to the extent provided in 26 U.S.C. § 664.

(l) Corporations and any organization as described in 26 U.S.C. § 501(c)(3).

(2) Feeder organizations, as described by 26 U.S.C. § 502, are not exempt from taxation under § 40-18-25, Code of Alabama 1975.

(3) Organizations not exempt from federal income tax due to the requirements of 26 U.S.C. § 503, relating to requirements for exemption, are not exempt from taxation under § 40-18-25, Code of Alabama 1975.

(4) The unrelated business income of an exempt organization, as defined in 26 U.S.C. § 512, is not exempt from taxation under § 40-18-25, Code of Alabama 1975 . See Reg. 810-3-32-.03.

(5) For interpretation of federal statutes adopted by the Alabama Legislature, see Rule 810-3-1.1-.01, Operating Rules.

(6) The Subchapter J and Business Trust Conformity Act, Act 2006-114, was passed by the Alabama Legislature effective for taxable years beginning after December 31, 2004 - please refer to the regulations promulgated to implement the new act.

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Authority: §§40-2A-7(a)(5) and 40-18-25, Code of Alabama 1975

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